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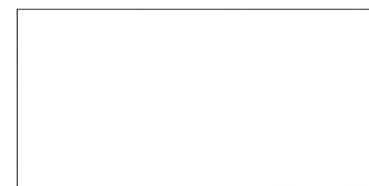
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- REPORT #46 -

ANNUAL REPORT
of the
CENTRAL INTELLIGENCE AGENCY
(FOR FISCAL YEAR 1967)

NSA, DIA, OGC reviews completed

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2 October 1967

Mr. J. Patrick Coyne
President's Foreign Intelligence
Advisory Board
Executive Office Building
Washington, D. C.

Dear Pat:

Per my telephone conversation with Russell Ash, I am enclosing herewith two copies of the Central Intelligence Agency's Annual Report to the President's Foreign Intelligence Advisory Board.

Sincerely,

/s/ John A. Bross

John A. Bross

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Enclosure

(Copies 1 and 2)

O/DCI/NIPE:dm

Distribution:

(#1) Original w/cys #1 and #2 - Addressee

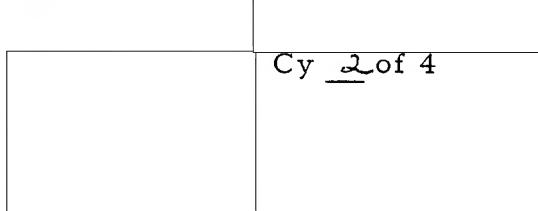
#2 1 w/cy #3 - DCI

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30 September 1967

CENTRAL INTELLIGENCE AGENCY

Annual Report to the
President's Foreign Intelligence Advisory Board

A.	Organizational Arrangements	1
B.	Total Cost Figures and Manpower Totals at Headquarters and in the Field, with Projections for Each of the Succeeding Five Years	3
C.	Training	4
D.	Intelligence Collection Requirements	7
E.		

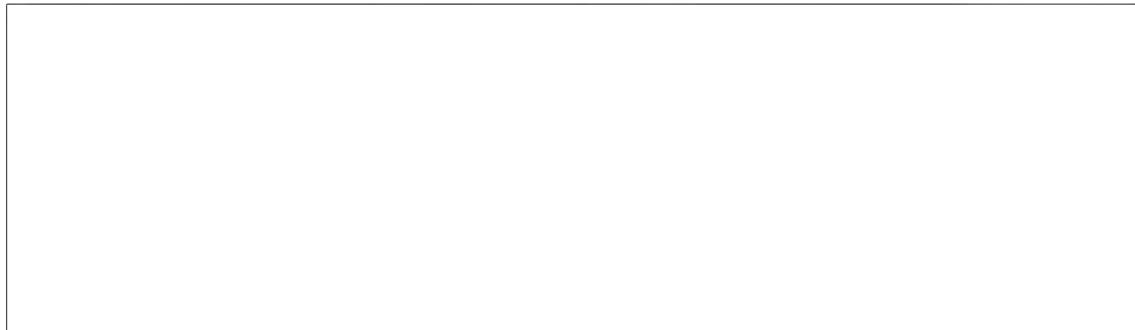
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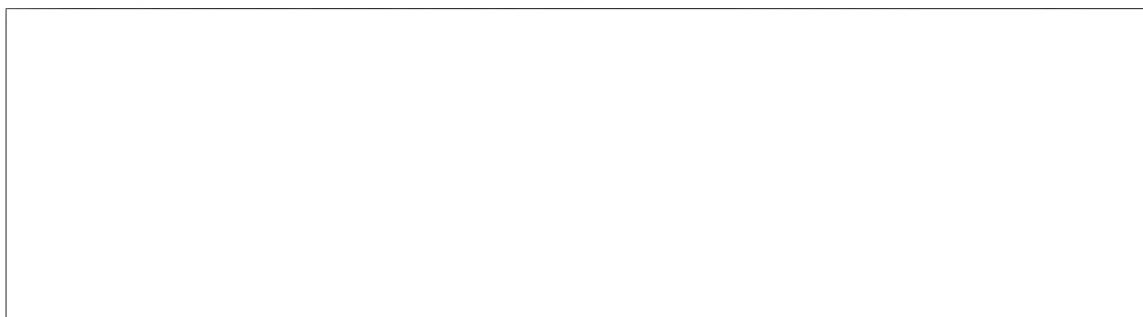
F. Processing of Raw Intelligence

1. Photographic Interpretation	55
2. Information Handling and Retrieval Systems . .	61

G. Intelligence Production

1. Current Intelligence Analyses	69
2. National Intelligence Estimates	75
3. National Intelligence Surveys	78
4. Geographic and Geodetic Intelligence	81
5. Economic Intelligence	88
6. Military-Economic Intelligence	91

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O.	Legal	194
P.	Legislative	197

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A. ORGANIZATIONAL ARRANGEMENTS

A great deal of progress was made during the year in Agency-wide application of the Planning, Programming and Budgeting System (PPBS), in response to Bureau of the Budget requirements. A major step in this regard has been the increasing awareness that PPBS is not simply a "budget exercise" but is in fact a valuable management tool. Properly understood and applied, the techniques of this system can help greatly in judgment processes involved in allocating the right resources in the right measure to tasks undertaken by Agency components; it can be even more helpful, perhaps, in the equally demanding problem of determining where efforts should be discontinued, where projects should be halted, where resources should be reassigned, and where we must accept the risks of not knowing or trying to know all the answers. PPBS cannot solve the problems of intelligence gaps, the ideal allocation of resources, nor the effective coordination of all U. S. intelligence activities, but it can bring many of the elements vital to informed decision-making into sharper, and hence more useful, focus, even of this kind.

An integral part of PPBS is in-depth studies of selected activities. In FY 1967 we did a variety of these, among which were the length of overseas tours, media/propaganda operations

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(continuing), some parts of our air support capabilities, the training
of entering professional careerists and clandestine collection activities

[redacted] No significant

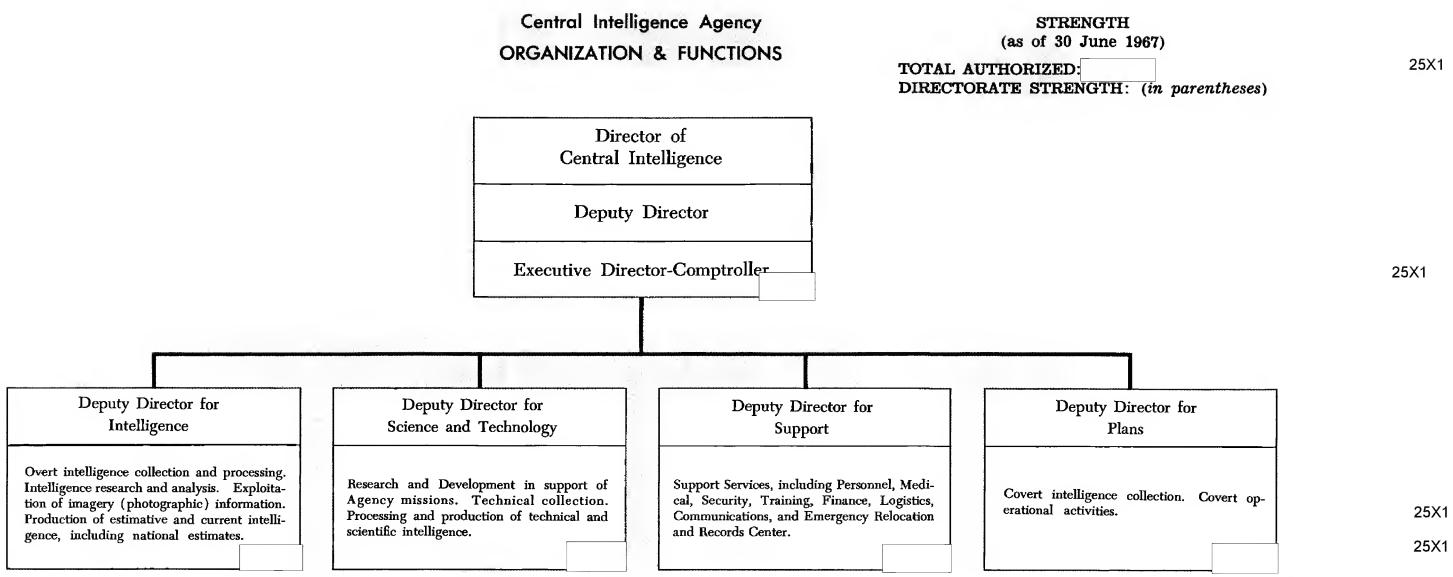
changes were made as a result of these special studies, but we are
far better informed and far more confident of what we are doing and
how our resources are allocated.

The attached organization charts show:

1. Central Intelligence Agency: Organization and Functions (to Deputy Director level)
2. Office of the Director
3. Deputy Directorate for Plans
4. Deputy Directorate for Intelligence
5. Deputy Directorate for Science and Technology
6. Deputy Directorate for Support.

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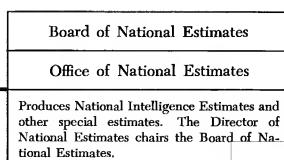
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**Organization & Functions
OFFICE OF THE DIRECTOR**

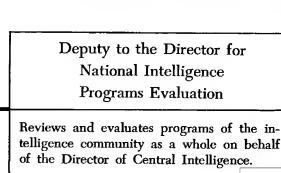
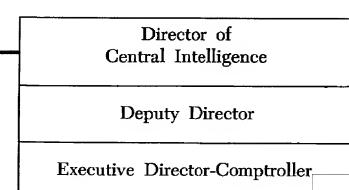
**STRENGTH
(as of 30 June 1967)**

TOTAL AUTHORIZED [redacted]
COMPONENT STRENGTH: (in parentheses)

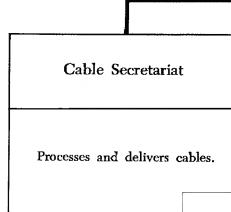
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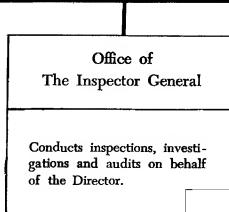
Produces National Intelligence Estimates and other special estimates. The Director of National Estimates chairs the Board of National Estimates.



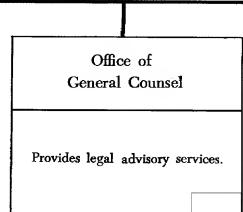
Reviews and evaluates programs of the intelligence community as a whole on behalf of the Director of Central Intelligence.



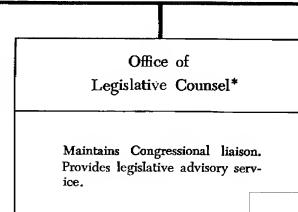
Processes and delivers cables.



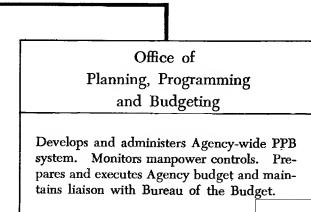
Conducts inspections, investigations and audits on behalf of the Director.



Provides legal advisory services.



Maintains Congressional liaison. Provides legislative advisory service.

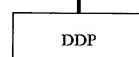
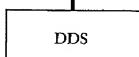
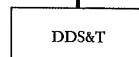
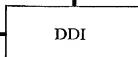


Develops and administers Agency-wide PPB system. Monitors manpower controls. Prepares and executes Agency budget and maintains liaison with Bureau of the Budget.

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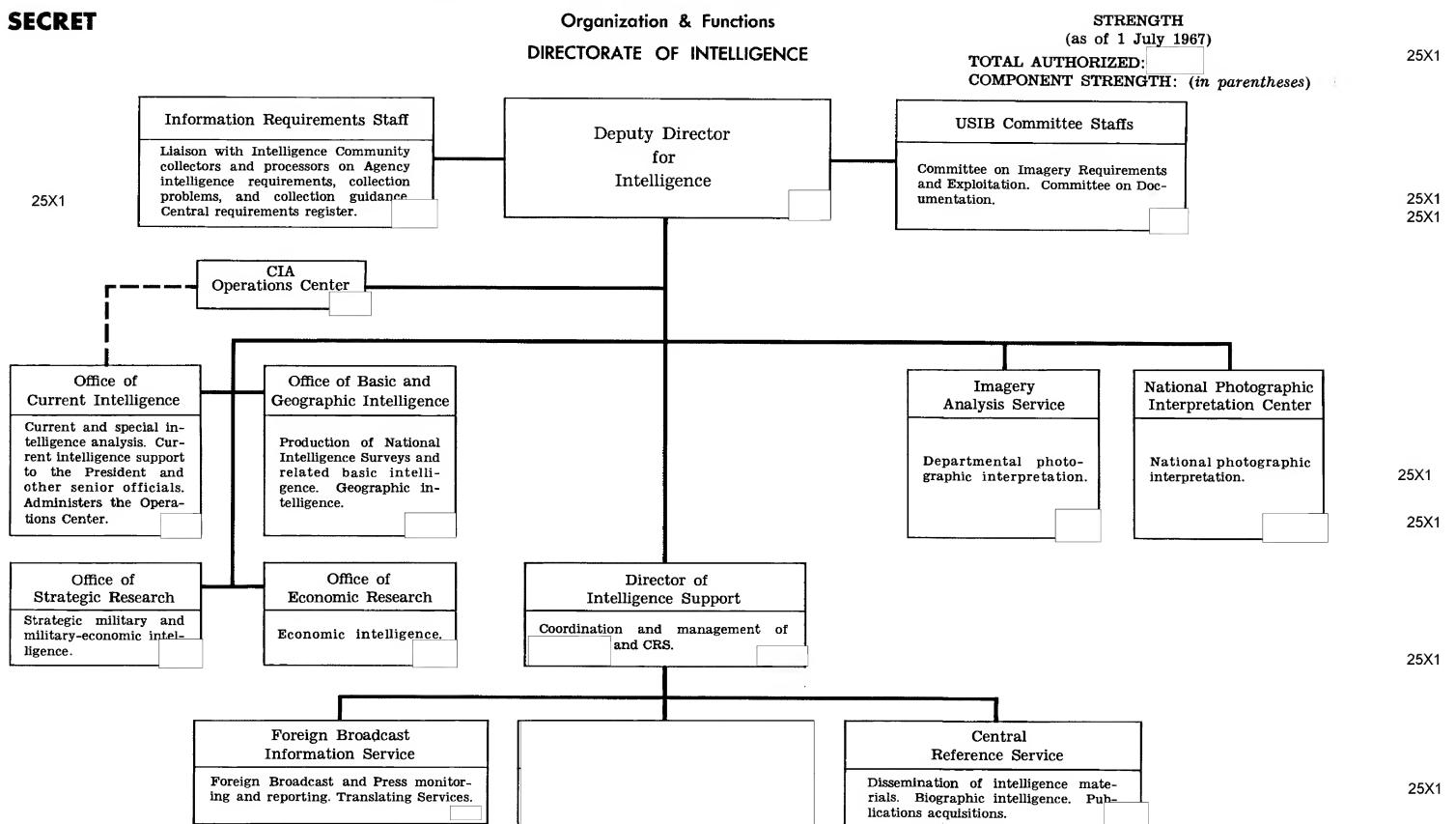
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Organization & Functions
DIRECTORATE OF INTELLIGENCE

STRENGTH
(as of 1 July 1967)

TOTAL AUTHORIZED:
COMPONENT STRENGTH: (in parentheses)

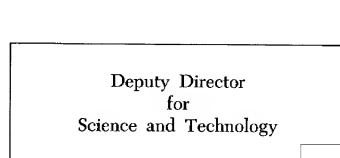
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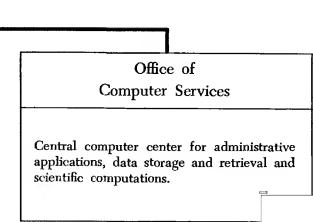
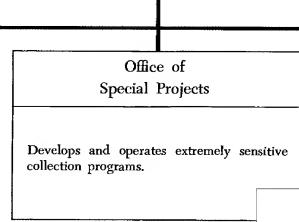
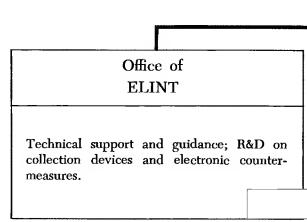
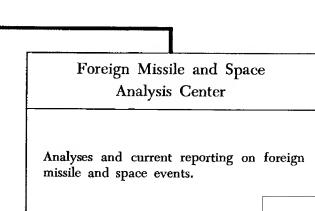
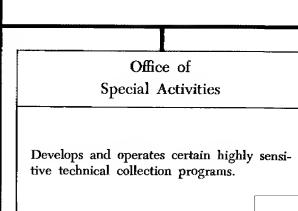
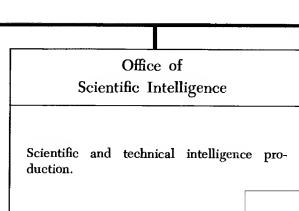
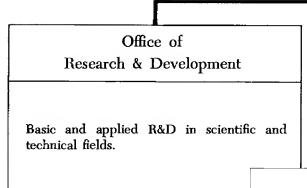
Organization & Functions
DIRECTORATE FOR SCIENCE AND TECHNOLOGY



STRENGTH
(as of 30 June 1967)

TOTAL AUTHORIZED: _____
COMPONENT STRENGTH: (in parentheses) _____

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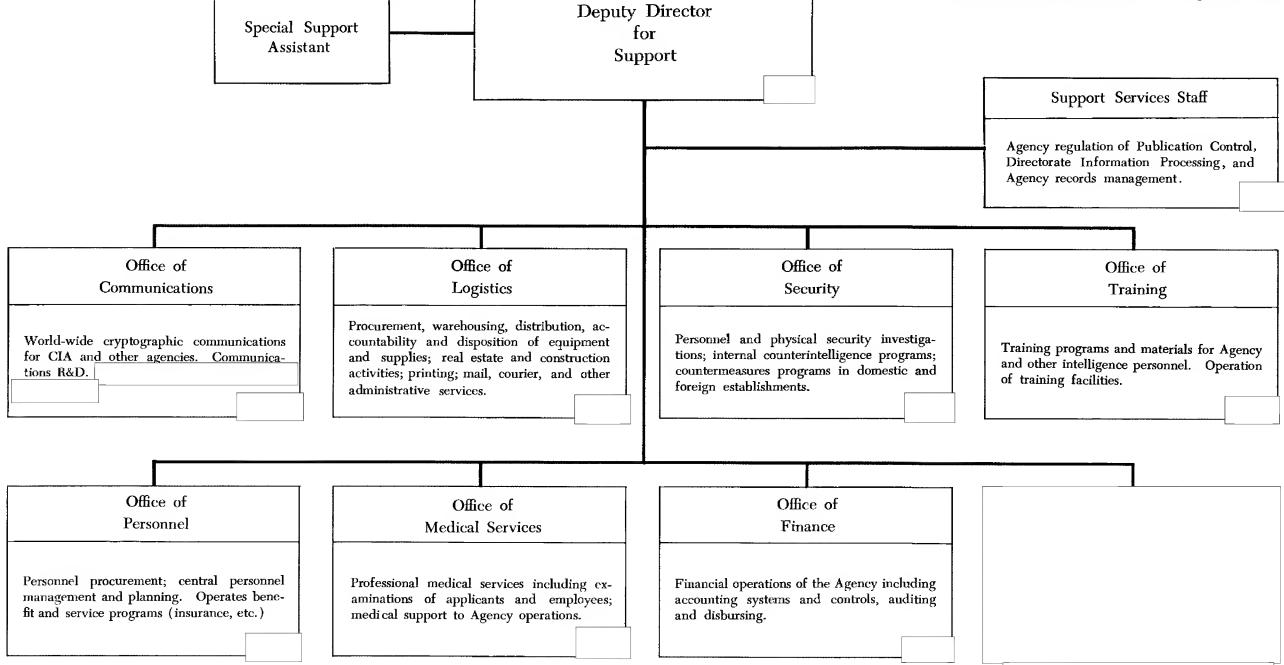
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Organization & Functions
DIRECTORATE FOR SUPPORT

STRENGTH
(as of 30 June 1967)

TOTAL AUTHORIZED: []
COMPONENT STRENGTH: (in parentheses)

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B. TOTAL COST FIGURES AND MANPOWER TOTALS
AT HEADQUARTERS AND IN THE FIELD, WITH
PROJECTIONS FOR EACH OF THE SUCCEEDING
FIVE YEARS

These comments are designed to explain and qualify the resource (fund and manpower) projections presented in the attached tabulations covering the period FY 1967 - FY 1972. Only the FY 1967 data are actual and the projections for FY 1968 are based on the Agency's budget submission to the Congress. Projections for FY 1969 are based on the budget being submitted to the Bureau of the Budget in late September 1967. Projections for FY 1970 - FY 1972 have been derived from the Program Memoranda submitted to the Bureau of the Budget in June 1967 to serve as that part of the Agency's Five-Year Forecast of proposed activities and related resource requirements.

As in last year's report, these projections are divided into the six Program Categories of the Agency's Planning, Programming and Budgeting System, and are further subdivided into U. S. and overseas.

Projections for Agency activities in Southeast Asia are included, but it is of budgetary significance that we do not include funds for the Revolutionary Development Cadre program in Vietnam

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C. TRAINING

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During the year we achieved our goal [redacted] for recruit-

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ment for the Career Training Program and placed [redacted] Career Trainees

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[redacted] A major development in the CT Program was

25X1

[redacted]

The evaluation of the management training program given experimentally to an entire Office was inconclusive. The results, however, justified consideration of a second trial program for an entire Office. In keeping with the President's instructions concerning planning,

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programming and budgeting, [redacted] selected employees attended external training in this field. In addition, the Agency has developed an internal PPB course which will be run for the first time in September. Another management area of special interest to the USIB has been automatic data processing training. In addition to employees taking part-time

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academic training, [redacted] employees were sponsored for external ADP

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training and [redacted] employees attended our newly designed internal courses.

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As a result of last year's implementation of a major foreign language policy, the Agency has engaged in an intensive language proficiency testing drive. We now have a much more accurate picture than before of our total language capabilities in terms of tested proficiencies. In compliance with the policy, Agency components also prepared a first set of foreign language competence requirements by position, which will be reviewed and updated annually. In-house language training activity showed an increase of 76 per cent in total student hours over the previous fiscal year, which can in large part be attributed to the new policy.

The final report of the Instructional Systems Study Group, which was established last year to conduct a survey of new training systems, particularly Program Assisted Instruction (PAI), finds that PAI can be applied effectively to CIA's training courses on a selective basis and that Computer Assisted Instruction, as a long-

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term development, can be a good way of meeting future training

25X1 requirements. [redacted] Agency personnel took an internal course
in programmed instruction and developed eight useful programs.

During FY 1968 we expect to devise additional programs for courses
or parts of courses.

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D. INTELLIGENCE COLLECTION REQUIREMENTS

During the past year, the Agency's entire intelligence collection requirements process was intensively studied by a task force under the direction of the Inspector General. The findings and recommendations of this task force are still under study, but certain of the recommendations have already been put into effect. The requirements process continues to be focused in the Information Requirements Staff (IRS), formerly called Collection Guidance Staff, of the Directorate for Intelligence. The IRS, however, has now been made responsible for assisting both the Deputy Director for Intelligence and the Deputy Director for Science and Technology in matters relating to the collection of information, and serves as the central requirements mechanism for the intelligence-producing components of both Directorates.

To develop common standards, procedures and action among Agency intelligence-producing components and the IRS in the requirements process and to assist line supervisors in carrying out their responsibilities for validation of their analysts' needs, an Information Requirements Advisory Group (IRAG) has been established with the Deputy Directors of each of the intelligence production offices as members. The Advisory Group will review problems

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arising out of the requirements process and recommend remedial actions or programs; it will also devise means of achieving the most efficient use of collection resources.

The capabilities of existing and oncoming collection systems continue to outstrip the ability of the processing and analytical elements to absorb and use the increasing volume of raw information in production relevant to key intelligence problems. The findings of the task force make it clear that adequate control over requirements is essential to hold in check the increasing flood of irrelevant or secondary material which obscures or replaces the really useful data. It is also clear that adequate control over requirements is a task involving management at all levels, and requiring a variety of inter-related actions by different elements of the Agency. The IRS occupies a focal point in this task, but cannot, by itself, accomplish the desired results. Increased emphasis is therefore being given to the responsibilities of production office supervisors for critical review and selective validation of analysts' requirements. Through the IRS and IRAG mechanism, performance in the field of information requirements will be monitored with the general objective of guiding the responses of collection systems toward higher priority information needs and away from information which is irrelevant, redundant, or of marginal benefit to the production process.

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Collection

guidance and requirements will continue to be modified in accordance with considered judgments of the value of acquired information versus its costs to the collection, processing and production resources of the Agency.

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F. PROCESSING OF RAW INTELLIGENCE

1. Photographic Interpretation*

a. Results Obtained

During FY 1967, the National Photographic

25X1 Interpretation Center (NPIC) received a total [redacted] feet
25X1 of operational film from satellite and aircraft coverage.

25X1 [redacted]

25X1 [redacted] most of the earth's
surface, with special emphasis on the USSR, the European Satellite
countries, China and Southeast Asia.

Additional coverage of Southeast Asia, China,

25X1 North Korea and Cuba was provided by [redacted] film
25X1 resulting from [redacted] aircraft missions.
25X1

25X1 Total film input increased [redacted] over
25X1 the preceding year, but [redacted]
received special attention. Input from this source is now being
exploited by the Center with no special difficulties.

* This report covers activities of both the National Photographic Interpretation Center, an activity operated by the Agency in cooperation with DIA, and the Imagery Analysis Staff (IAS), an Agency component reporting directly to the Deputy Director for Intelligence, CIA.

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Immediate reports were prepared on all missions,

and detailed reports were made on many significant targets. A total

25X1

of [redacted] were produced, including [redacted]

25X1

[redacted] produced by IAS.

25X1

Imagery analysis support was provided to key government officials,

special committees, consultant groups and individual analysts. A

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total of [redacted] scale models were prepared for

the various briefings, including a number of boards which were

released by the Secretary of Defense for use by public media.

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b. Effects of the Joint Imagery Interpretation Review Group (JIIRG) Findings

The adoption of the recommendations contained in the JIIRG report has directly affected the activities of NPIC. Since this new policy will require extensive implementation and will have far-reaching consequences, its full effects will not become apparent

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[REDACTED]

for some time. The following actions, however, have already been taken:

(1) The Imagery Analysis Division was separated from the Center, although it is still located in the same area and uses common support facilities. It was reconstituted as the Imagery Analysis Staff, reporting directly to the DD/I, and charged with providing direct imagery analysis support to CIA.

(2) A Planning Task Force, consisting of three senior officers of NPIC has devoted several months to the study of procedural and organizational problems in order to enable the Center to fulfill its responsibilities under the National Tasking Plan most effectively. This task force has determined a number of areas which need study in greater depth and such studies are under way. They include the need for increased emphasis on planning, an effective mechanism for analysis and control of requirements, a more effective method for organizational control, and a realignment of the organizational structure in order to integrate the imagery analysis cycle and provide a proper grouping of service and support elements.

(3) The Center has established close and continuing contacts with DIA officials in the imagery analysis field.

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That organization is kept informed of NPIC's major management decisions and policies. DIA has agreed to train new NPIC photo interpreter personnel at military facilities, which will eliminate the need to maintain duplicate capabilities. NPIC has invited DIA to assign certain hard-to-find technically-skilled personnel in the fields of photogrammetry, planning and management, and ADP to NPIC as part of the national effort. The Center has also indicated to DIA that occasions could arise when special project financing, with DoD funds, might be requested to meet specific agreed requirements which extend beyond NPIC's normal program plans or responsibilities.

(4) Additionally, NPIC is furnishing support to the Committee on Imagery Requirements and Exploitation (COMIREX) in terms of providing membership on the various sub-committees, administrative and clerical support, and space. The Center is reviewing data and preparing for the establishment of the National Data Base of imagery-derived information. Studies have been undertaken and proposals submitted for standardized formats to be used in the publication of basic PI reports and for issuing updated reports.

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F. PROCESSING OF RAW INTELLIGENCE

2. Information Handling and Retrieval Systems

Information processing systems in the Central Reference Service (CRS), formerly Office of Central Reference, underwent intensive study and reassessment during the last three quarters of FY 1967 in preparation for a comprehensive reorganization and streamlining of the entire central reference function. This activity was but one phase of a general plan for restructuring and realigning the Agency's intelligence production offices and their supporting specialized service functions. The objective is to increase the resources allocated to production, to reduce the investment in support by curtailing non-essential services and to increase the efficiency and responsiveness of the service and support elements.

CRS is being reorganized from an office of loosely associated, functionally aligned components into an integrated system of geographically-oriented operating divisions supported by a streamlined basic services group. The reorganization is accompanied by a [redacted] reduction in manpower between FY 1967 and FY 1969. The major new innovations will appear in the Information Services Group (ISG), composed of five geographic divisions and the CIA Library. The Document Systems Group (DSG) supports the ISG

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with electronic data processing, document and photographic acquisition and dissemination, and document storage, retrieval and copy service.

The geographic division is the basic operating unit in the new structure. There will be five such divisions: USSR, Far East/Pacific, Europe, Near East/Africa, and Western Hemisphere. Each division will operate on an all-source basis, performing integrated processing of both documentary and graphic materials, whether from collateral or codeword sources. They will produce [redacted] intelligence information and provide reference services covering foreign installations and organizations and subjects/commodities/concepts/events.

CRS will implement in its geographic divisions a standard, shallow indexing system supported by digital computer processing.

25X1 This system will be used to control that portion of the [redacted] documents received annually which meet stringent selection criteria for retention in the central reference system. Although the bulk of the material selected for retention will receive only shallow treatment, that pertaining to the USSR and China will be indexed to a deeper level. [redacted]

25X1 [redacted] installations information will continue to be controlled in hard copy dossiers. All generated index records will be processed on CRS' IBM 360/30 computer.

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The reorganized CRS incorporates many of the concepts and techniques developed in Project CHIVE. The principal work remaining to be done on CHIVE involves test and evaluation of

25X1 the indexing system and its associated [redacted]

25X1 [redacted] software package. Evaluation

25X1 of the full [redacted] package cannot begin until at least the spring of

1968, the earliest estimated date for delivery of the package. The China Operations Group, reduced in strength and reconstituted as purely an experimental techniques test facility, will perform the required tests and evaluations, the objectives of which will be to

25X1 determine the technical performance of the indexing system [redacted]

and to determine whether the system is economically realistic under CRS' reduced manning levels.

During November 1966, CRS began operating its own IBM 360/30 computer. By July 1967, some 170 punch card applications had been converted to digital computer processing. Use of the computer has increased efficiency in the processing of the large punched card indexes to stored material and has decreased the manpower and machine time formerly required to perform the job. The computer has also provided the base for developing the initial capability to process information generated in the new shallow indexing system.

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compatible sub-systems.

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The system permits professional employees to devote their time to exploiting the use of the information.

(Reporting on processing of counterintelligence information is contained in section K. 6.)

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G. INTELLIGENCE PRODUCTION

1. Current Intelligence Analyses

At White House request, the President's Daily Brief has been shifted from close-of-business production and is now timed to be available to the President wherever he may be, at the start of each day before he reads the morning newspapers. The schedule enables personal review by the Director of Central Intelligence at the close of each working day and review of overnight changes and additions by a senior Office of Current Intelligence (OCI) officer before publication.

Partly as a result of PFIAB recommendations, all finished intelligence memoranda now not only identify the office of origin, but indicate for the reader the extent of coordination within CIA and throughout the intelligence community. The number of one-time joint papers is increasing, and there are some regular jointly-prepared periodicals such as the monthly CIA-DIA assessments of bombing effectiveness in North Vietnam and of strategic weapons systems in Cuba.

OCI continues the weekly report on potential crisis situations, inaugurated during the preceding year in support of the Senior Interdepartmental Group.

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The CIA Operations Center, managed by OCI for the DD/I, now maintains 24-hour staffing in the National Military Command Center and assigns officers to the Operations Center of the Department of State during crisis situations. These individuals expedite exchange of information and obtain the operational data required to produce comprehensive "net" finished intelligence for certain senior policy-making customers. The Operations Center has expanded its secure communications net, adding LDX Facsimile to the National Security Agency, [redacted] 25X1 and access to the Department of State Automated Terminals System.

The Arab-Israeli crisis of May and June 1966 afforded an excellent example of the flexibility which the Operations Center gives OCI for current intelligence reporting in crisis situations. 25X1

[redacted]
on a 24-hour basis, and brought into OCI representatives who could contribute the specialized inputs of estimative, operational, military and economic intelligence elements.

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Similar task forces have been pulled together in the
Operations Center

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The task forces have produced
situation reports as often as every hour, around the clock.

As the year ended, OCI was making preparations, in coordination with the new Office of Strategic Research (OSR), to maintain a capability for immediate reaction to reporting and analysis requirements on military developments. The creation of OSR, which will centralize all DD/I military, military/scientific, and military/economic expertise, removed from OCI its Military Division, which provided the OCI "in-house" capability for finished current reporting in this field. Procedures have been developed, however, to ensure that OSR expertise will be available on a 24-hour basis, along the lines successfully evolved over more than a decade for OCI's interface with the economic experts in OER.

OCI continues to produce comprehensive daily and weekly situation reports on Vietnam. The weekly and monthly situation report originated as publications of a Vietnam interdepartmental intelligence subcommittee. The monthly survives in the form of

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monthly statistical tables appended to the daily Sitrep; the daily and the weekly are both produced by OCI for the Directorate of Intelligence.

The Scientific and Technical Intelligence Report

(Brief) was continued as the primary outlet for quick formal reporting

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OSI continued to publish timely and detailed articles in

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the monthly Scientific Intelligence Digest.

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The Daily and Weekly Surveyors continued to be well received. These publications contain brief scientific and technical items and OSI comments on subjects of immediate interest to the intelligence community as well as other government agencies.

During the past year OSI responded to numerous requests for timely intelligence information,

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for the Office of Telecommunications Management, Office of the President.

In addition, OSI prepared a paper of widespread current interest

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G. INTELLIGENCE PRODUCTION

2. National Intelligence Estimates

Seventy National Intelligence Estimates, including National Intelligence Projections for Planning, were completed in FY 1967 compared with 68 the previous year. Other major publications included the Priority National Intelligence Objectives and quarterly supplements thereto. In addition, the Office of National Estimates (ONE) completed 65 substantive Intelligence Memoranda, 24 of which were Memoranda for the DCI.

The number of estimates produced (70) is 12 more than the average yearly number of estimates produced (58) during the 17 years that ONE has been in business. It also represents the third largest FY production in history. There was continuing contact between members of ONE and various policy-making committees of the U. S. Government, and considerable time was spent in providing assistance and written critiques for them.

Estimative production was again responsive to the need for timely assessments of critical areas, with considerable attention devoted to Vietnam. A large number of special estimates, contingency estimates and memoranda on that country were prepared under very short deadlines.

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The heaviest estimative load, however, remained the regularly-scheduled major estimates on Soviet military policies and capabilities as well as the National Intelligence Projections for Planning, the largest single project for which ONE has responsibility.

Of particular interest in the military and scientific field this past year were the estimates produced on Soviet research and development, space, atomic energy, warning, and an estimate for ACDA on the capabilities of U. S. intelligence to monitor an arms control agreement.

In addition to the annual estimate on the Soviet economy, estimates were completed on Sino-Soviet relations, Soviet policies in the Mediterranean, Yugoslavia, and Soviet intentions toward Vietnam and the Middle East.

Estimative work on Chinese Communist military capabilities, conventional and advanced, increased substantially. As anticipated in last year's report, the number and variety of estimates on Communist China will shortly match the output on the Soviet Union.

In line with ONE's responsibility, estimates were prepared on security conditions in each foreign country scheduled to be visited by the President.

A number of estimative papers were produced as a result of the Arab-Israeli confrontation and ensuing hostilities,

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usually at short notice. ONE also contributed heavily to other Agency intelligence support for the Administration during this period.

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[Redacted] At the request

of ACDA and the State Department, an estimate was completed on the proliferation of missile delivery systems throughout the world. At the request of Mr. John J. McCloy, two estimates were prepared on probable reactions in Western Europe, Eastern Europe, and the USSR to a reduction of U.S. military forces in Europe.

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G. INTELLIGENCE PRODUCTION

3. National Intelligence Surveys

Published NIS's reached 99% of the production commitment for the year. The NIS Committee also took action designed to keep pace with changing user requirements and to effect better coverage and more efficient processing.

In response to a requirement for broader dissemination of basic NIS weather and climate coverage, production was begun on a revised presentation of such analysis and data in a new section to be distributed for Official Use Only; the meteorological organization and facilities information will be issued as classified supplements.

DIA assumed responsibility for the production of an expanded section on Health and Sanitation on Free World areas and suspended publication of its own departmental publication covering the same subject.

The former section on Fuels and Power is now published in two separate sections to permit more flexible scheduling, in that production of each self-contained section will depend upon its own significance to an area.

In addition, the NIS Standard Instructions were completely revised for the first time since 1957. These are issued

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in implementation of NSCID No. 3 and contain a listing of NIS areas, outline guides reflecting basic intelligence requirements, allocations of production responsibility, and instructions for the preparation and processing of this intelligence.

The printing of the NIS in the EPIC system (Electronic Printing for Intelligence Composition) is now under way. It is designed to do page composition by photo-composing from computer-prepared tape. With the typing of original manuscripts on tape now being encouraged and facilitated, further substantial savings in time and money will be effected.

A Planning Paper, submitted by the NIS Committee and forecasting production for FY 1968 and FY 1969, was approved by USIB in March 1967. The forecast reflected the continued emphasis on coverage of Africa and Latin America. With initial coverage of the developing areas nearing completion, it will soon be possible to maintain balanced world coverage, with appropriate attention to priority areas, which experience has shown to be the prudent course for basic intelligence to follow.

The pattern of priorities also reflected the USIB view that the Program should emphasize General Survey production with selective supplementary coverage determined by the significance

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with which a topic applies to a particular area. In furtherance of this objective, an NIS Production Priority List has been developed and is now being extended to reflect interagency criteria as a guide to future scheduling.

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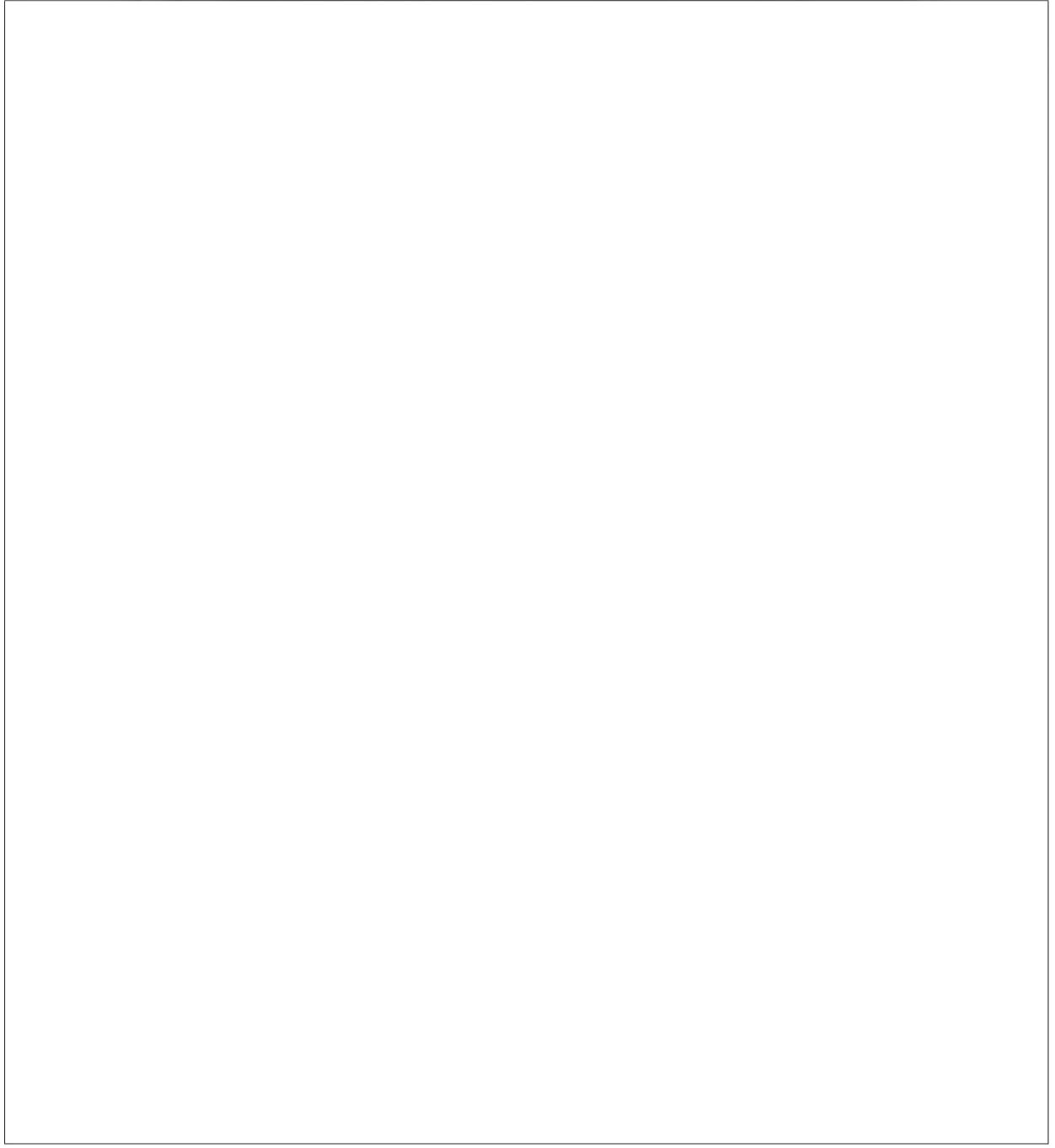
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G. INTELLIGENCE PRODUCTION

4. Geographic and Geodetic Intelligence

a. General

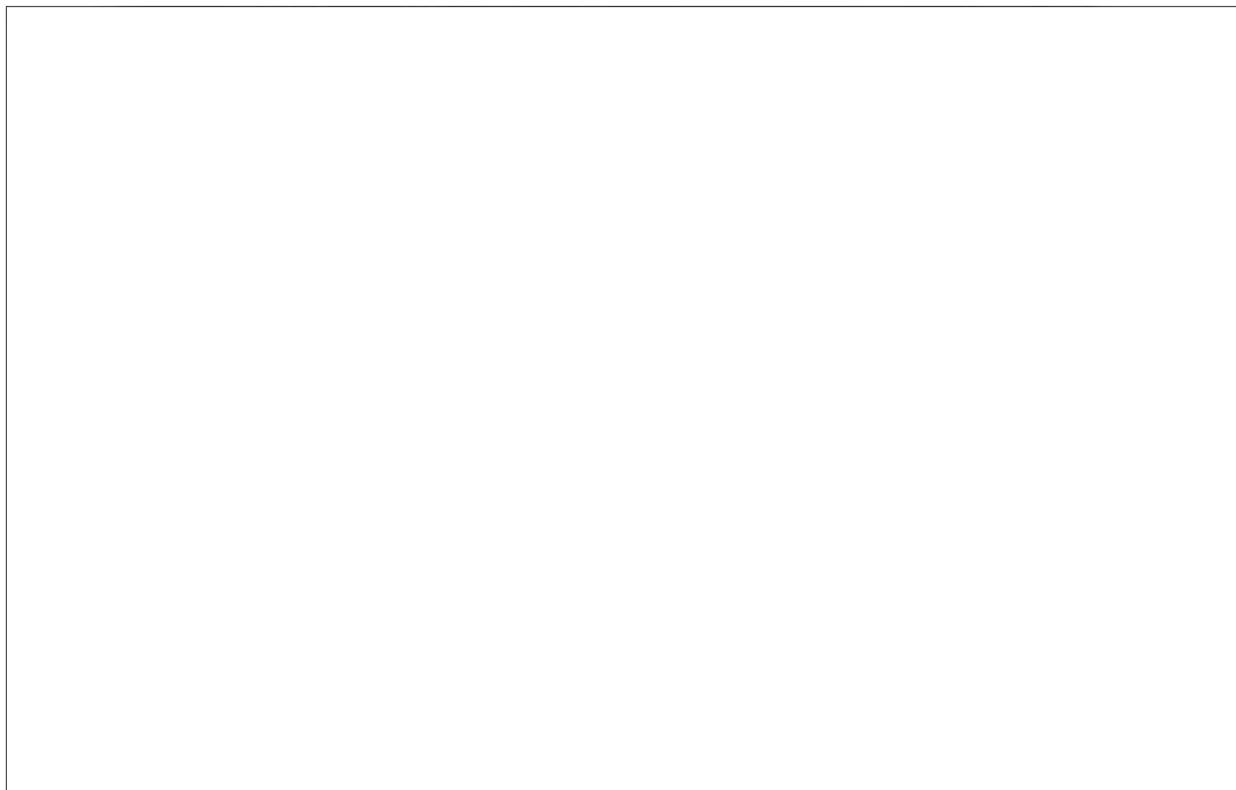
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Intelligence problems associated with the Vietnam conflict again stimulated requirements for a broad variety of area analysis tasks concerned especially with geographic characteristics of infiltration and logistic supply routes. Reports were prepared on the extent and significance of areas closed to foreign travellers in the USSR and Eastern Europe, and a special analysis treated the Soviet action in opening the Northern Sea Route to foreign shipping.

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possible the production of specialized area and subject bibliographies and listings of maps for use in collection programs in support of reference and procurement functions.

b. Map and Publications Acquisition

The merger of map and publications efforts, reported last year, has worked out well, and has resulted in more effective use of the limited available manpower resources. At the same time, requirements and selection guides have been under continuous review to eliminate duplication and requests for items of dubious or marginal value.

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G. INTELLIGENCE PRODUCTION

5. Economic Intelligence

The year saw a further growth in the number of requests for direct economic intelligence support to policy and action officers of the government. Responses to these requests numbered more than 400, compared with a little more than 300 during the preceding year. In addition, more than 100 Intelligence Reports and Intelligence Memoranda were published for general and elite dissemination, many of direct or indirect interest to such officers.

Papers produced in support of the war in Vietnam absorbed about one-fifth of available economic research time. This work included contributions to major papers on the Vietnamese Communists' will to continue the war and on the effectiveness of the air war. Secretary McNamara has been provided, at his request, with other papers and assessments relating to the war. Monthly contributions were made to the joint CIA-DIA publication appraising the bombing of North Vietnam, and a number of memoranda were published on selected aspects of the war, such as shipping to North Vietnam and Cambodia, the petroleum situation, and Viet Cong manpower problems. In addition, nearly 100 typescript responses were prepared on Vietnam subjects, largely at the request of the

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White House, Department of State, and Department of Defense.

Continuing research was conducted on all major foreign economies and on the less developed countries. This research was published wherever economic problems or prospects for economic development were of current policy significance. Research was also undertaken on basic problems of less immediate interest and for the purpose of maintaining a capability to produce economic intelligence quickly in crisis situations. In the case of the Arab-Israeli conflict, 22 memoranda were produced between the middle of May and the end of the fiscal year, most of them in response to specific requests and many for the Special NSC Committee on the Middle East. Most of these papers dealt with the impact of the war

[redacted] on world oil production, and with the disruptions created by the closure of the Suez Canal.

A substantial share of economic intelligence production was devoted to international economic relations, in support of U. S. officials involved in formulating and implementing U. S. trade, aid, and shipping policies. This production included a number of Intelligence Memoranda and Intelligence Reports on Communist trade and aid programs, the balance of payments and foreign exchange problems of less developed countries, and prospects for East-West

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trade. In addition, a number of specific studies were made of U. S. - and COCOM-controlled commodities, at the request of the Advisory Committee on Export Policy and the Economic Defense Advisory Committee. A special review of 400 export commodities was made early in the year at the request of the Department of Commerce. A decision to permit these commodities to move under general license was announced by the President in October.

A large portion of economic intelligence production reflected the continuing demand for analysis in depth of the economies of the USSR and Communist China. This production included analysis of overall growth prospects, the ability of these economies to support military and space programs, and the problems on individual sectors such as agriculture, transportation, and construction. Research on

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[redacted] was concerned with

similar subjects, often in the context of insurgency or the efforts of Communist countries to expand their influence.

It is anticipated that, during FY 1968, requirements will continue to increase for economic intelligence on Southeast and East Asia, and the Middle East. In line with the expressed need for better insights into the seething problems of Communist China, the research program for FY 1968 features an intensive effort on the Chinese economy.

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G. INTELLIGENCE PRODUCTION

6. Military-Economic Intelligence

In addition to the major research required in support of the National Estimates process, this past year saw a continuation of the steadily-mounting demands from many government agencies for military and military-economic research in direct support of immediate national security issues. The requests were answered in many ways--briefings, memoranda, formal papers--and addressed questions as diverse as Soviet defense and space expenditures, Chinese Communist submarine production, and Middle East arms budgets. They were mainly concerned with such strategically significant issues as the possible effect on the U.S. military posture of developments in Soviet offensive and defensive missiles, Chinese ballistic missiles, and other major weapons systems of the Communist countries.

To improve our ability to make sound intelligence judgments on rapidly changing military developments, considerable effort has been directed to the examination of promising new analytical techniques and methodologies. An improved method was devised for handling the difficult task of defining the costs of land armaments associated with ground force structures. The development

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of strategic and military-economic simulation models has continued and is expected to improve significantly our estimates and projections of the future strategic posture. Deeper insights were gained into the political aspects of Soviet military power and some of the implications of Mainland Chinese military activities.

Of particular promise for the future is the substantial progress made in developing the hardware and software for an on-line computer system. Such a system will permit intelligence analysts to manipulate and display automatically large quantities of data pertinent to the solution of complex analytical problems. The intelligence problem selected for the developmental project is that of Soviet defensive priorities and concepts. However, exploration of the applicability of similar methods to a variety of other strategic research problems is being vigorously pursued.

During the past fiscal year organizational changes were initiated which, when fully implemented, will enable the Agency to respond with increasing effectiveness to requirements for military intelligence in support of national security questions. The new Office of Strategic Research, established on 1 July 1967, will centralize within the Intelligence Directorate the responsibility for strategic military intelligence, particularly with respect to military doctrine

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and strategy, deployment and employment of military forces, production of military equipment, and the costs and economic implications of foreign military and space programs. Realigned organizational and substantive relationships are designed to eliminate both duplication and gaps in research coverage and to enhance the timeliness and authority of military estimates.

As in the past, a large proportion of the effort will be devoted to the USSR. Reporting on the military activities of Communist China will, however, continue to expand as evidence permits.

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In the interest of tightening security by providing
current investigative data on Agency staff employees, approximately
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P. LEGISLATIVE

The Office of Legislative Counsel was established as an Independent Office with responsibility for all congressional matters arising in connection with the official business of the Agency. This function was formerly headed by the Deputy General Counsel who also carried the title Legislative Counsel.

President Johnson's appointment of Vice Admiral Rufus L. Taylor as Deputy Director was confirmed by the Senate on 7 October 1966, without a dissenting vote.

Various Agency legislative proposals submitted to the 89th Congress were consolidated in a single bill and reported by the House Armed Services Committee; the bill passed the House but was not acted upon in the Senate. With the approval of the Bureau of the Budget, it was resubmitted in the 90th Congress and is awaiting action in both houses. The proposal updates the Agency Retirement System in accordance with legislative changes in the Civil Service and Foreign Service Retirement systems, removes the \$50 per consultation limitation on payment to advisory and consultant personnel, and amends basic Agency legislative authority for travel, medical care, claims and similar housekeeping-type programs.

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The invitation extended by the Chairman of the Senate Armed Services Committee to the Senate Majority Leader and the Chairman and Ranking Minority Member of the Foreign Relations Committee to participate in meetings of the CIA Subcommittees has quieted the most vocal of the pressures in the Senate to change the legislative oversight of the Agency. The attendance of these Senators has caused little change in the conduct of the meetings.

The program of inviting Senators and Congressmen to the Agency for general briefings and discussions with senior officials has contributed substantially to better understanding of the Agency by the Congress.

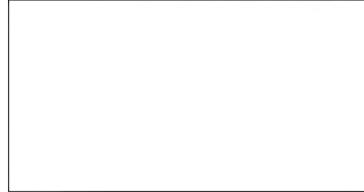
Various legislative inquiries required continuing Agency attention during the year. Notable among these are bills relating to restrictions on the use of the polygraph and audio devices, and invasion of privacy of the federal employee. Pressures for across-the-board legislative action in these somewhat related fields are continuing to grow, and if enacted without appropriate exemption would affect Agency investigative and security review activities adversely.

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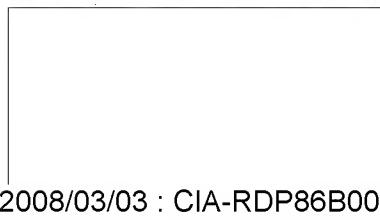
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